

memo to mailers

Mailing expert says:

Plan now for changes in '96

Mailers attending the National Postal Forum in Philadelphia got the word: "Start Now" to plan for changes coming from classification reform in 1996.

Proposals for mail classification reform are before the Postal Rate Commission (PRC). Depending on the PRC's recommendation, the Postal Service could begin implementing mail preparation changes in the late spring.

Kathy Siviter, director, Postal and Member Services, Advertising Mail Marketing Association, said, "There has never been a time like now to take advantage of lower postage rates by preparing barcoded mail. Start now to research and plan for changes in mail preparation. Don't wait to see what the rate commission does. Regardless of what happens in mail classification reform, the Postal Service has given strong signals that its future needs from mailers focus on two areas: address quality and automation. Future emphasis on preparation standards like those being proposed in mail classification reform will take place one way or another, regardless of the outcome of this reform package."

The Postal Service distributed a second revision on proposed implementation standards at the forum and is seeking comments

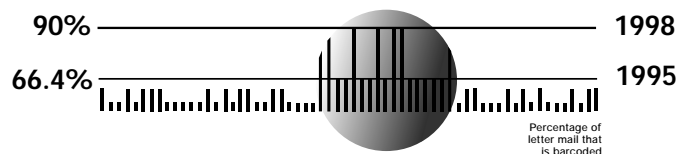
USPS increases incentives for quality addresses

Under classification reform, the Postal Service has upped the ante for customers upgrading the quality of addresses.

Customers attending the National Postal Forum in Philadelphia last month learned that classification reform offers some new challenges as to how they prepare their mail. Currently, the proposal to reform rates in First-, second- and third-class are under review by the Postal Rate Commission. A decision is expected by January.

Douglas Schmidt, president, POSTALSOFT, a mailing systems company, told mailers how to take advantage of changes coming with classification reform.

Schmidt said, "The USPS is making a final run down the straight-away to a near 100 percent barcoded letter mailstream. Under classification reform, address quality programs will receive even more emphasis than they do today. Address quality is key to the USPS's automation program. In most cases, postage incentives for address quality programs have been increased significantly."



Seventeen percent of Americans move each year and 34 percent of those are between the ages of 20 and 29-years-old. After about two years, a mailing list is only 69 percent accurate, said Schmidt.

The proposal calls for First-Class mailers to perform

Solutions offered for overcoming 90 percent density rule

Co-mailing more than one publication title into a larger mail stream or using selective (demographic) binding for multiple versions of a publication can help qualify small publications for the new USPS Publication Service.

Mark Schneider, manager, Mail Distribution, Quad Graphics, Pewaukee, WI, advised mailers attending the National Postal Forum in Philadelphia to work with printers in examining options to achieve the 90 percent density requirement for each publication issue.

The requirement to achieve 3-digit level or finer with a minimum of 24 pieces is part of the new service being proposed by the USPS as part of its classification reform. It offers a more attractive rate than the Regular Periodical Mail, since it will reduce USPS and mailer costs.

Schneider talked about different titles — ranging from as little as 2,000 to as big as 500,000 — that were merged to achieve the 90 percent density level.

"The larger the publication, the lesser the effect of co-mailing because it already starts with a relatively high presort level. The greater presort levels the publica-

tion achieves, the smaller overall savings compared to publications with a smaller subscriber base."

In applying the 90-percent criterion, an issue includes all copies of the publication mailed during that period of time from the mailing for one cover date to the mailing of the main file of the next cover date. The co-mailing can include Regular Rate Periodicals mail. The

final qualifying percentage is the total number of qualifying pieces divided by the total number of mailed pieces. He recommends publishers reduce the number of times they "pull a back issue," because it creates smaller mailstreams and takes away from the 90-percent requirement.

Using selective binding, publishers can have the same effect as with co-mailing. It will improve 3-digit level presort and enhance drop shipments. The process can be for both in-line or off-line printing.

In order for co-mailing to work, the printer, publisher and mail list house need to

work together, said Schneider.

"Co-mailing is not for everyone. You must weigh the 'net benefits' against possible negatives, such as lengthened schedule or altering the design of the mailpiece," said Schneider.

Here are some points to keep in mind:

- The printer needs to have the proper finishing equipment, a pool of participants who have the ability to alter schedules and the knowledge to manage the program.
- The publisher needs to extend schedules because files are due earlier and the process requires a longer finishing time. Design of each "book" becomes less flexible and a different list house may be required, said Schneider.
- The list house must be capable of creating demographic streams and be able to produce appropriate postal documentation. The printer may require the customer to use the printer's in-house list bureau.

Classification reform timetable

The Postal Rate Commission (PRC) has up to 10 months to issue its recommended decision regarding classification reform.

Since the USPS submitted the proposal March 24, the PRC has until Jan. 24, 1996. The USPS Board of Governors could render a

decision soon thereafter based on the PRC's recommendation.

Since this is not a revenue producing rate case, the Postal Service is planning on implementing reform rules in late spring.

Vice President of Marketing Systems John Ward said he has asked his staff to organize extensive

employee and customer training sessions.

"I was impressed with how customer apprehension at the forum in Nashville turned to customer solutions in Philadelphia. I think we are well on the way to helping customers deal with the changes," said Ward.

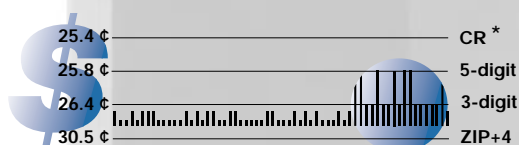
USPS increases incentives for quality addresses

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Benefits of Barcoding

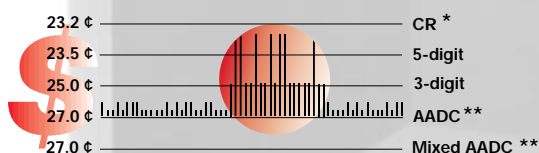
Current

First-Class bar code incentive



Proposed

First-Class bar code incentive



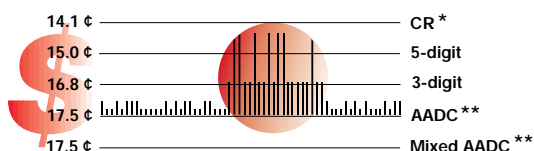
Current

Third-Class bar code incentive



Proposed

Standard Class bar code incentive



* Carrier Route
** Automated Area Distribution Center

"move updating" on their addresses once every six months using one of a variety of addressing quality improvement programs.

The traditional manual process, where the mailpiece carries the endorsement "Address Correction Requested," results in the mailpiece being returned with the new address information or a reason for non-delivery. Using the endorsement "Forwarding and Address Correction Requested" produces a notification which costs 50 cents, while the mailpieces are forwarded to the recipient's new location.

In addition, the Postal Service provides two electronic methods to help mailers update the addresses of their customers who relocate.

The Postal Service currently licenses 24 non-exclusive vendors who process mailing lists against the National Change of Address (NCOA) database. The database contains three years of move updates and multiple moves are chained together. The licensees provide mailers a ZIP+4 Code, delivery point code and standardized address information for all addresses in the list. NCOA is the lowest cost program usually costing three to five cents per move. While move updates are very high quality because of tight matching requirements, Schmidt said, this service may not be the most effective method for every mailer.

To help update address information rapidly, there is Address Correction Service (ACS). After the letter carrier identifies an address move, the information is captured by the Postal Service's Centralized Forwarding System, which provides a customer with an electronic correction for 20 cents. ACS not only returns move updates, but also the reason for non-delivery such as, "moved left no address," "vacant address," or "refused." A disadvantage of ACS is that it occurs after the piece is mailed, but as First-Class Mail, the piece can be forwarded to the new address or returned to the mailer.

Schmidt said the most effective method of updating address lists is to combine NCOA and ACS. By using this approach, he said, mailers can be sure they mail to the current address as soon as possible.

For information on these services, call the National Customer Support Center 1-800-238-3150.

Efficient mail preparation results in greater cost reductions

With classification reform, the rates for carrier route and bar code eligible third-class (Standard Class) mailpieces will drop five to 20 percent depending on the mail sort level chosen.

And conversely, those pieces that are neither carrier route nor bar code eligible (non-codable) will experience substantial increases, said Dan Minnick of Direct Marketing Technology, Schaumburg, IL, and a member of the Mailers Technical Advisory Committee.

"Getting a code for a mailpiece and making sure mailpieces have the right address are the two most

important business decisions for third-class mailers. Those who are using the National Change Of Address program and the Address Change Service are in good shape for dealing with classification reform," said Minnick.

The main message from the Postal Service in the reform effort is to get a bar code on all letter mail and either a bar code or carrier route identification on all flat size mailpieces, he said.

But what can mailers do with non-codable pieces?

Minnick recommends another program offered by the National Customer Support Center in Memphis – Address Element Correction

(AEC). This service has a 70 percent success rate. It can find correct address components that are necessary for applying a ZIP+4 Code or carrier route on those addresses which cannot be coded by commercial coding accuracy software programs.

The cost of this service is \$15 per thousand addresses and is "easily offset" by the savings realized from the application of enhanced bar codes or carrier routes. He estimated savings of as much as \$130 per thousand with the addition of these corrected addresses to a mailing.



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"It may be time to reevaluate the supplier and service provider relationship."

Kathy Siviter, director,
Postal and Member Services,
Advertising Mail Marketing
Association

from customers. Copies of the standards are being distributed through postal business centers and account representatives.

Siviter, who was one of several mailing industry experts to offer solutions to mailers for dealing with changes under classification reform, offered some other tips:

- With new subclasses and rate categories, mailers should evaluate all the automation and worksharing incentives, not just those they have used in the past, and perhaps consider fundamental changes such as redesigning their mailpiece;

- Start now to research available software and hardware solutions;

- Evaluate the resources unique to your company, identify strengths and weaknesses, weigh the benefits of in-house operations versus outsourcing, consider partnering opportunities;

- Compare suppliers and service providers by checking current references and touring their operations, if appropriate. Are they paying attention to changes being proposed? "Do they at least know what you know? If not, it may be time to reevaluate that supplier and service provider relationship," said Siviter.

- Finally, she said, mailers should search out the experts, either through industry publications, local Postal Customer Councils, service providers, industry associations, trade shows, or supplier listings in the *Yellow Pages*.

Mailing news

Making it easier

Dave Klement and Connie Randall are the type of employees a manager loves to have. Not satisfied that customers fully understood postal rules for using and preparing bulk mailings, the two Whittier, CA, bulk mail clerks wrote a workbook for customers in easy-to-understand language. It walks the customers through the process and answers the most commonly asked questions. Whittier Postmaster Gary Cardona said the office has distributed 1,500 books and has experienced an increased volume of bulk business mail. The book also is written in Spanish and Korean.

New group formed

College and university mail managers have formed a new association to unite fellow professionals and increase the impact it carries on issues affecting its members.

The association elected its first officers at the National Postal Forum in Philadelphia, PA. The new officers include President Thomas Roylance of Brigham Young University, UT; Vice President Linda Augustine, Arizona State University; Treasurer Penny Guyer, MIT; and, Secretary Lynne Becker, University of the South, TN. The Board of Directors includes Richard Bordrero, Utah State University; Jimmy Jones, University of AR; Martha McLean, University of MA; Lea Holt, East Carolina University, NC; Jesse Rambo, University of Texas, Medical; Viann Schroeder, University of Nebraska; Ed Talley, Northern Arizona; and, Frank Zabawa, Smith College, MA.

In addition to strengthening its communications with the Postal Service, the association will promote a number of other activities on behalf of its members. For information, contact Penny Guyer at (617) 253-1552.

There also is a networking forum restricted to college and university mail personnel. CUNIMAIL seeks to help find effective solutions to mail problems. To contact via the internet, use: leichler@pps1-po.phyp.uiowa.edu or by e-mail to: lou-eichler@uiowa.edu

Label reduces missorts

New certified mail labels are designed to be detected by automated equipment and improve the process of distribution. Customers are asked to use the correct issues of these forms.

The April 1995 issue of Form 3800, *Receipt for Certified Mail*, contains an area of florescence that can be detected by ultraviolet light. This allows certified mail to be separated and properly accounted for. Previously, many certified mailpieces were sorted directly to carriers, who had to return them to accountable clerks. Now, with this detection element, the number of these missorts should decrease. Customers also are encouraged to use the new form instead of using a stamp and handwritten control numbers.

Customers also should make sure they use the December 1994 version of the *Domestic Return Receipt* (Form 3811) which was modified for detection by postal automation equipment and includes other improvements.

Form 3526 online

Publishers who need the updated version of PS Form 3526, *Statement of Ownership, Management, and Circulation*, now have easy access to it via the Internet. Customers with Internet World Wide Web access will be able to download the form from the USPS "homepage" using the free Adobe Acrobat Reader at www.usps.gov. The reader can be downloaded from Adobe's home page, <http://www.adobe.com>. The form and the reader are also available via modem from the Rapid Information Bulletin Board at 1-800-262-9541.

Special notice:

This is to remind mailers producing 5-digit bar codes to check bar code placement.

If these bar codes are located in the bar code clear zone, the left-most bar of the 5-digit bar code must start between 4 1/8 and 4 1/4 inches from the right edge of the mailpiece.

Correct placement of 5-digit bar codes on letter-sized mail is necessary for the Postal Service multi-line optical character reader and the remote barcoding system to append the 5-digit bar code to the correct delivery point bar code. The location of the left-most bar of a delivery point bar code is more flexible, since it represents the complete code.

Postal News highlights

Employee gets award

USPS National Account Manager Judy Wolfe received the Parcel Shippers Association's George Shannon Award for 1995.

Ed Meszaros, chairman, PSA's board of directors, said, "Judy personifies the attitude of the new Postal Service. She focuses her efforts for all business mailers on service, support and growth."

The award is named after its first recipient, the late George Shannon, a USPS parcel post product specialist, who refused "to surrender the parcel market to other competitors" and became its champion at Postal Service headquarters.

Greening the form mill

F3 Software won a bid to convert hundreds of USPS forms into electronic format. The USPS expects to save several million dollars over three years by replacing about 300 business forms to be automated as part of a sweeping internal program. It will also make life easier for about 40,000 employees who use the forms. So far, about 60 forms have been converted.

The move to electronic forms saves on printing and storage costs and F3's technology allows for linking of databases for computations which saves on data entry hours.

USPS adds to CNG fleet

The USPS awarded contracts to convert another 1,700 vehicles to operate on compressed natural gas (CNG) at a cost of \$4 million.

Beacon Power Systems, Inc. of Troy, MI, MESA Environmental of Fort Worth, TX, and IMPCO Technologies, Inc. of Cerritos, CA, were selected to convert vehicles in various locations around the country. By the end of the year, the USPS will have 6,500 CNG vehicles and the largest alternative fuels delivery fleet in the nation.

Lottery busted

The Postal Inspection Service, working with U.S. Customs officials, has devised ways of intercepting illegal and fraudulent foreign lottery solicitations before they reach the hands of gullible Americans.

The solicitations come from fraudulent companies, not government agencies or licensees. Those who pay fees never see any lottery tickets. In some cases, the company uses high pressure telemarketing techniques to obtain credit card account numbers.

The Inspection Service successfully devised a legal procedure that involves working with U.S. Customs officials to intercept illegal foreign lottery solicitations entering the country through exchange offices such as Chicago, New York, Miami, Los Angeles, San Juan and San Francisco.

Dealer values mail

Glenn Clements, president of Blanchard & Co., one of the nation's largest coin dealers, calls the Postal Service's registered, insured mail "a great service, a great value" for anyone shipping coins. Clements praised the service in a *Washington*

Post article. The company ships 50,000 coin packages a year, paying about \$350,000 for postage and insurance. The service is valued for its security, says Clements.

Test postponed

A test of Neighborhood Mail, a new service for small local businesses, has been postponed until after the holidays.

Neighborhood Mail is designed for small businesses to send advertising mailpieces to as little as one carrier route in a local neighborhood for about 12 cents a piece. The test is planned for Rochester, NY, Sacramento, CA, and New Orleans and Baton Rouge, LA.

Chief Marketing Officer and Senior Vice President Loren Smith said, "The test plans are under review for rescheduling early in the year after we have heard comments from all interested parties."

Food drive largest ever

More than 44.4 million pounds of non-perishable food donations were collected by letter carriers in the third National Food Drive sponsored by the National Association of Letter Carriers. More than 1,120 local branches conducted the drive throughout the country, Puerto Rico and the Virgin Islands in support of local food banks and shelters. Each year the effort grows. The union collected 32 million pounds in 1994.



Alaskan pharmacy relies on the mail

When Alaska Managed Care Pharmacy opened for business, it had an instant clientele of 4,000 customers who live across Alaska and in the lower 48 states.

It's not an easy business to find. Tucked behind Carrs Quality Center, this pharmacy relies on the telephone, fax machine and the Postal Service.

It is Alaska's first mail-order drugstore and the newest division of Carr Gottstein Foods Co., the state's largest retailer, grocer and private employer.

Carrs doesn't release sales figures, but its pharmacies are among one of its strongest departments. Pharmacy sales have grown at least 10 percent every quarter for the past 13 years, according to the company. *The Anchorage Daily News* conducted a survey in the Summer of 1994 and found that Carrs was the top prescription drug seller in Anchorage.

Alaska Managed Care Pharmacy maintains a lean inventory relying on a nearby wholesaler. That keeps overhead low and enables mail-order prices to beat retail prices often, even with postage included.

The idea of a mail-order pharmacy had been growing for 10 years. It happened when Teamsters Local 959 made changes to its health-care plan, closed its pharmacies in Anchorage and Fairbanks and searched for a contract pharmacy for its 4,000 members.

Customers, however, don't have to be teamsters to use the service. Customers can establish an account by phone, and mail or fax orders.

Buying drugs by mail order works best for people needing "maintenance" medications, said Ron Miller, the pharmacist at Alaska Managed Care.

Mail-order pharmacies are not new. Several insurance options for postal employees offer this service. But Carr Gottstein is the first Alaska company to set up its own mail-order drug business.

Buying drugs by mail order works best for people needing "maintenance" medications. These include medicines to control blood pressure, cholesterol, thyroid, and heart conditions, said Ron Miller, the pharmacist at Alaska Managed Care.

But that's not all. On one particular day, Pharmacy Technician Larry Elliott was preparing to mail two bee-sting self-injection kits to a woman in Willow, AK.

Ordering by mail doesn't mean customers give up contact with the pharmacist. Miller said he spends a lot of time on the phone talking to them.

Contributed by Nancy Cain Schmitt, senior communications specialist, Corporate Relations Center, Denver, CO.

USPS offers one-stop service to merchandisers

The Postal Service has entered into an agreement with USCO Distribution Services Inc., to add value to the delivery services it already provides.

Chief Marketing Officer and Senior Vice President Loren Smith said, "This strategic alliance serves the growing needs of merchandisers to deliver products to customers in a faster, more cost-effective manner."

Using an integrated marketing approach, merchandisers can move customer product through USCO's full-service national warehousing and fulfillment and the USPS for delivery.

USCO Vice President, Business Development, Dan Nelson said, "This alliance breaks new ground for both parties. There's no guarantee, but there is an opportunity for each of us to offer customers one-stop service."

"The practice of business using an external supplier to perform all or part of a company's supply and distribution is growing significantly," said Smith.

The third-party logistics market is expected to grow from \$10 billion currently to \$47 billion by the year 2000 as more companies look to

"This strategic alliance serves the growing needs of merchandisers to deliver products to customers in a faster, more cost effective manner."

Chief Marketing Officer and
Senior Vice President Loren Smith

outsource supply/distribution functions and focus on core competencies, according to research information. In addition, with the popularity of home shopping, the residential delivery market is expected to continue to grow.

Dottie Madden, a USPS marketing specialist, said USPS saw companies farming out their operations to third parties and decided the tactic could work in tandem with postal functions.

With that in mind, the Postal Service drew up a list of 15 capabilities it wanted in a contractor. At the top of the list was multiple warehouses to ensure the contractor would be able to handle expedited deliveries in any part of the country. Other high priorities were inventory management, pick and pack, order acceptance and order fulfillment.

Of the 18 companies solicited, eight responded and USCO was selected. Headquartered in Naugatuck, CT, USCO operates 71 distribution centers in 30 metropolitan areas in the U.S., with a total of 12 million square feet of space.

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